

Message Text

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ACTION STR-04

INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05
SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00
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TO SECSTATE WASHDC PRIORITY 9915

INFO AMEMBASSY BERN

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USMTN

STR ACTION

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E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJ: MTN: US-SWISS CONSULTATIONS

1. SUMMARY. US-SWISS CONSULTATIONS ON MTN ISSUES JULY 25-26
HIGHLY PRODUCTIVE IN CLARIFYING RESPECTIVE COUNTRY OBJECTIVES
FOR MTN. SWISS SUPPORT TIMETABLE FOR ACCELERATION OF MTN,
PROMISED TO SUPPORT U.S. "REQUEST-OFFER" PROPOSALS IN GROUP
AGRICULTURE AND NON-TARIFF MEASURES GROUP LATER IN THE WEEK,
ARE ANXIOUS TO SEE IMPROVED DISCIPLINE OVER SUBSIDY PROACTICES
(ESPECIALLY IN AGRICULTURE), ARE UNDECIDED ABOUT SELECTIVITY
IN SAFEGUARDS, ARE OPEN-MINDED ABOUT AGRICULTURAL TARIFF CUTS
(BUT CAUTIONED U.S. ACCESS TO SWISS MARKET NOT LIKELY TO BE
IMPROVED THEREBY), AGREE WITH U.S. THAT LDC'S MUST MAKE CON-
TRIBUTIONS TO THE MTN, AND SUGGESTED KEY DC'S COLLABORATE
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IN THE FALL ON HOW TO DEAL WITH EASTERN EUROPEAN COUNTRIES
IN THE MTN. ON AGRICULTURAL TRADE POLICY GENERALLY, SWISS
VIGOROUSLY DEFENDED POLICY OF 50 PERCENT SELF-SUFFICIENCY
RATIO POLICY (WITH PRODUCT SHIFTS POSSIBLE WITHIN THAT
OVERALL RATIO). END SUMMARY.

2. U.S. MET WITH SWISS AT SMALL TOWN OF THIELLE NEAR NEUCHATEL

AS GUESTS OF SWISS GOVT JULY 25-26. SWISS TEAM, HEADED BY AMBASSADOR ARTHUR DUNKEL, INCLUDED BESSON, EBERHARD AND ELMPE. U.S. TEAM HEADED BY AMBASSADOR ALAN WOLFF, DEPUTY STR (PLUS BARRACLOUGH-STATE, FEKETEKUTY, KELLY AND STARKEY-STR, AND CULBERT). SESSIONS WERE CORDIAL THROUGHOUT AND, WHILE NOT NEGOTIATING SESSIONS, NEVERTHELESS CONTRIBUTED TO A DEEPER APPRECIATION OF BOTH GOVTS ATTITUDES TOWARD MTN. AFTER REVIEW OF PROPOSED TIMETABLE FOR ACCELERATION OF MTN WORKED OUT BY U.S. AND EC, DUNKEL PROMPTLY PLEDGED FULL SWISS SUPPORT FOR A TIGHT TIMETABLE TO PUT BOTH STEAM AND CREDIBILITY INTO THE MTN. HE SHARED WOLFF'S APPRAISAL OF ECONOMIC OUTLOOK FOR THE COMING YEAR, AGREED PROTECTIONISM IS GROWING (IN SWITZERLAND, TOO), AND REAFFIRMED LONGSTANDING SWISS POLICY THAT THEIR FREE TRADE ARRANGEMENT WITH EC IS NOTHING MORE AND NOTHING LESS THAN ONE STEP IN THE PROCESS OF WORLD-WIDE TRADE LIBERALIZATION.

3. WOLFF EMPHASIZED U.S. NEED FOR SUBSTANTIAL RESULTS IN AGRICULTURE AND THAT THE PROCEDURAL UNDERSTANDING REACHED WITH THE EC DID NOT SIGNIFY ABANDONMENT OF CODES. DUNKEL SAID SWISS AGRICULTURAL POLICY IS BASED FUNDAMENTALLY ON NEED TO RETAIN A MINIMUM VIABLE AGRICULTURAL PRODUCTION IN CASE OF WAR SO AS TO BE ABLE TO INCREASE PRODUCTION FOR SURVIVAL. HE SAID SWISS HAVE ONE OF LOWEST AGRICULTURAL SELF-SUFFICIENCY RATIOS IN THE WORLD AND SWISS ARE NOT INCREASING LAND IN AGRICULTURE (BUT PRODUCTION INCREASES ARE COMING FROM LIMITED OFFICIAL USE

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TECHNOLOGY). SWISS INTEND TO RETAIN POLICY OF 50 PERCENT SSR BUT NOTED PRODUCTION SHIFTS ARE POSSIBLE WITHIN THAT OVERALL RATIO. AFTER REVIEW BY STARKEY OF U.S. OBJECTIVES IN GRAINS, DUNKEL SAID SWISS WOULD BE WILLING TO CONSIDER A FORMULA FOR SECURITY OF ACCESS IN RETURN FOR SECURITY OF SUPPLY AND NOTED THAT IN ABSENCE OF AN ABSOLUTE GUARANTEE OF SUPPLY, THE QUESTION OF STORAGE ARISES; SWISS HAVE STRATEGIC STOCKS OF EVERYTHING AND WILLING TO SEE SOME PUT UNDER INTERNATIONAL SUPERVISION, PREFERRING LOCATION IN BOTH IMPORTING AND EXPORTING COUNTRIES. ON TARIFF CUTS IN AGRICULTURE, DUNKEL SAID SWISS POSITION IS STILL OFFICIALLY OPEN BUT HE FELT ACROSS-THE-BOARD APPLICABILITY TO AGRICULTURE OF A TARIFF FORMULA WAS OUT OF THE QUESTION BUT "SOMETHING" MIGHT BE DONE IN THE PRODUCT-SPECIFIC CONTEXT EVEN THOUGH THIS MIGHT NOT PROVIDE MEANINGFUL IMPROVEMENT OF ACCESS TO MARKETS LIKE SWITZERLAND PROTECTED BY A QUOTA REGIME.

4. SUBSIDIES/COUNTERVAIL. AFTER PRESENTATION OF U.S. VIEWS AND WIDE-RANGING DISCUSSION, DUNKEL SUMMARIZED HIS VIEWS ALONG FOLLOWING LINES: INDUSTRIAL EXPORT SUBSIDIES CAN BE RESOLVED BY REINFORCING EXISTING RULES WITH IMPROVEMENTS FOR SPECIAL CASES LIKE EXPORT CREDITS, THERE IS A "GREY AREA"

OF REGIONAL AIDS WITH AN INCREASE OF SOPHISTICATED MEASURES
MAKING IT VERY DIFFICULT TO ISOLATE HOW MUCH EXPORT AID IS
BEING GIVEN, AND AGRICULTURAL SUBSIDIES NEED SPECIAL SOLUTIONS
FOR PARTICULAR PRODUCTS OR GROUPS OF PRODUCTS (BUT FLAT
PROHIBITION ACROSS THE BOARD WOULD BE IMPRACTICAL). IN LATTER
CONNECTION DUNKEL NOTED SWISS ARE UNDER GREAT PRESSURE TO
REACT TO SUBSIDIZED ITALIAN FRUITS, BUT SWISS HAVE NO LEGAL
DEFENSE OTHER THAN COUNTERVAILING DUTIES WHICH THE SWISS
FEAR WOULD LAUNCH A MINI-WAR WITH THE EC; HE EMPHASIZED THE
NEED TO DEESCALATE AGRICULTURAL PROBLEMS IN INTERNATIONAL
TRADE WITH BETTER DISCIPLINE FOR CERTAIN PRODUCTS. THE ONLY
IDEA SWISS HAD IN THIS RESPECT WAS A POLICY BY AGRICULTURAL
EXPORTING COUNTRIES NOT TO UNDERSSELL THE INTERNAL PRICE IN
IMPORT MARKETS. WOLFF NOTED THAT IN ABSENCE OF ANY POLICY TO
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CONTROL EXCESSIVE DOMESTIC PRODUCTION, INCREASED QUANTITIES
AVAILABLE ON WORLD MARKETS DEPRESS ALL PRICES.

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USMTN

5. TARIFF FORMULA AND APPLICABILITY TO INDUSTRIAL PRODUCTS.
DUNKEL SAID SWITZERLAND HAD TO CONCENTRATE ITS LIMITED PER-

SONNEL RESOURCES ON CERTAIN AREAS OF THE MTN OF MAJOR INTEREST TO SWITZERLAND AND, WITH A VERY LOW SWISS TARIFF ON INDUSTRIAL GOODS, SWITZERLAND DID NOT FEEL IT NEEDED TO PLAY A LEADING ROLE IN THE DEVELOPMENT OF A FORMULA. SWISS ARE INTERESTED, HOWEVER, IN IMPORTANT CUTS ON HIGH TARIFFS (ALTHOUGH DUNKEL CLAIMED DURING A DINNER CONVERSATION THAT SWITZERLAND WAS "INDIFFERENT" TO ELIMINATION OF ASP). ALTHOUGH SWITZERLAND ITSELF WOULD NOT NEED EXCEPTIONS (EXCEPT IN RESPONSE TO EXCEPTIONS CLAIMED BY OTHERS), DUNKEL CONSIDERED EXCEPTIONS (BY OTHERS) WOULD BE INEVITABLE NO MATTER WHAT THE FORMULA IS. HE NOTED SWITZERLAND HAS A FISCAL DUTY ON OIL AND BANANAS WHICH SWISS DO NOT PLAN TO REMOVE DURING MTN.

6. LDC'S IN THE MTN. DUNKEL CITED SWISS POSITION IN FRAMEWORK GROUP (FR/W/10) AND SUGGESTED THIS MIGHT BE A POINT OF DEPARTURE FOR AN INFORMAL PLURILATERAL DISCUSSION AMONG DEVELOPED COUNTRIES EARLY IN THE FALL ON "SPECIAL AND FIDDLIMITED OFFICIAL USE

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ERENTIAL" (S&D) TREATMENT OF LDC'S. HE SAID SWISS VIEWS ARE NOT VERY DIFFERENT FROM U.S. GRADUATION CONCEPT. HE DEPLORED PIECEMEAL CONCESSIONS TO LDC'S IN VARIOUS FORUMS WHICH RISKED LOSING THE OPPORTUNITY TO BRING THE LDC'S INTO THE SYSTEM. THE SWISS TEAM WAS EMPHATIC ON THE NEED FOR CONTRIBUTIONS FROM THE LDC'S (CHRISTMAS IS OVER"). DUNKEL AND EBERHARD DISCUSSED AT SOME LENGTH A CURRENT SWISS PROBLEM WITH IMPORTS OF LEATHER GARMENTS FROM KOREA AND INTERNAL ANALYSIS OF OPTIONS OPEN TO SWISS TO DEAL WITH SUDDEN INFLUX. BECAUSE SWISS DUTY IS SO LOW AT 4.5 PERCENT DUTY INCREASE WOULD HAVE NO EFFECT. THEY HAD EXAMINED WHETHER SOME KIND OF A "GRADUATION CONCEPT" (IF ONE WERE CURRENTLY IN FORCE INTERNATIONALLY) WOULD SERVE THEIR INTERESTS BETTER AND, IN THIS CONTEXT, HAD ELABORATED THREE CRITERIA: DOES THE PARTICULAR PRODUCT GIVING RISE TO THE PROBLEM CONSTITUTE A HIGH PERCENTAGE OF TOTAL IMPORTS FROM A PARTICULAR COUNTRY (30 PERCENT IN CASE OF LEATHER OUTERWEAR FROM KOREA), DOES THE SAME PRODUCT CONSTITUTE A HIGH PERCENTAGE OF TOTAL IMPORTS FROM ALL LDC'S, AND DOES THE PARTICULAR PRODUCT CONSTITUTE A RELATIVELY SMALL PERCENTAGE OF TOTAL EXPORTS OF THE COUNTRY TO THE WORLD (2.3 PERCENT IN CASE OF LEATHER OUTERWEAR FROM KOREA). SWISS THOUGHT THAT SOME INTERNATIONAL GUIDELINES BUILT AROUND THESE CONCEPTS WOULD JUSTIFY SWISS ACTIONS TO RESTRAIN RAPIDLY INCREASING IMPORTS OF A PRODUCT LIKE THIS FROM KOREA BUT WITHOUT DOING GREAT DAMAGE TO THE KOREAN ECONOMY. DUNKEL THEN NOTED SWISS WERE TRYING TO RESIST PRESSURE TO RESTRICT THIS PRODUCT BUT HE WAS NOT CONFIDENT THEY WOULD WITHSTAND THE PRESSURE MUCH LONGER.

7. EASTERN EUROPEAN COUNTRIES IN THE MTN. DUNKEL INITIATED THIS TOPIC, NOTING MTN IS REALLY FOR RELATIONS AMONG MARKET

ECONOMIES AND TRADITIONAL TRADE POLICY INSTRUMENTS AND
RECIPROCITY ARE INAPPLICABLE TO EE TRADE (WITH POSSIBLE
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EXCEPTION OF THE PROPOSED STANDARDS CODE). HE SAID REAL
PROBLEM IS WEST IS UNABLE TO INCREASE SALES TO THE EAST WITH-
OUT SIMULTANEOUSLY EXTENDING CREDIT TO FINANCE THE PURCHASES.
WHEN U.S. SIDE ACKNOWLEDGED ITS THINKING IS NOT FAR ADVANCED
ON THIS PROBLEM, DUNKEL SUGGESTED US, EC, NORDICS AND SWISS
SHOULD MEET IN EARLY FALL WITH EXPERTS IN ATTENDANCE TO TRY
TO SORT THIS MATTER OUT AND DEVISE SOME STRATEGY TO AVOID
A FREE RIDE BY THE EASTERN EUROPEANS.

8. ON SAFEGUARDS, DUNKEL SAID SWISS DO NOT WANT SELECTIVITY
AS A GENERAL RULE BUT RECOGNIZE IT MAY BE A SOLUTION IN
"SOME CASES," PREFERABLY IN AGREEMENT AMONG THE PARTIES
DIRECTLY INVOLVED PLUS MULTILATERAL SURVEILLANCE. THE PRO-
BLEM, HE SAID, IS HOW TO PUT SUCH A POSSIBILITY DOWN ON
PAPER. EBERHARD ADVANCED THE NOTION OF "NEGATIVE SELECTIVITY"
WHICH HE DESCRIBED AS NON-DISCRIMINATORY APPLICATION OF
SAFEGUARDS ACCOMPANIED BY AN AUTHORIZATION OF NON-
APPLICABILITY OF THE SAFEGUARD MEASURE TO MARGINAL SUPPLIERS
(BUT NOT AS AN OBLIGATION ON THE DC'S AND WITHOUT GIVING
THE LDC'S THE RIGHT TO DEMAND IT).

9. DISCUSSION DURING DINNER DEALT WITH SPECIFIC INTERPRETA-
TIONS OF WHAT THE FRENCH HAD IN MIND IN PROMOTING CONCEPT
OF "LIBERALISATION ORGANISEE." DUNKEL MAY HAVE BEEN PLAYING
ROLE OF DEVIL'S ADVOCATE BUT HE NEVERTHELESS CONVEYED A
FEELING OF SERIOUS CONCERN ABOUT EVER-INCREASING PACE WITH
WHICH GOVERNMENTS OF DEVELOPED COUNTRIES FIND THEMSELVES
CONFRONTED WITH NEED TO ADJUST THEIR INDUSTRIAL STRUCTURE
TO ACCOMMODATE SUDDEN INFLUX OF NEW PRODUCTS FROM NEW COUN-
TRIES. DISCUSSION BROUGHT OUT THAT WHILE THERE WAS NOTHING
PARTICULARLY NEW ABOUT NEED FOR COUNTRIES TO ADJUST TO MORE
EFFICIENT COMPETITION, PROBLEM IS BECOMING MORE SEVERE NOW
DUE TO THE RANGE OF PRODUCTS BECOMING AVAILABLE FROM AN
INCREASING NUMBER OF DEVELOPING COUNTRIES WHICH APPEAR AT
THE FRONTIERS IN INDIGESTIBLE QUANTITIES. AN ADDITIONAL
ELEMENT DUNKEL CONSIDERED DISTURBING WAS THE PHENOMENON THAT
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WHEN A DEVELOPING COUNTRY "ADJUSTS" TO COMPETITION IN A
PARTICULAR PRODUCT FROM A PARTICULAR COUNTRY, IN ONLY A FEW
YEARS TIME THAT COUNTRY ITSELF IS OUT OF THAT LINE OF
BUSINESS, PRODUCTION HAVING MOVED ON TO AN EVEN LESSER-

DEVELOPED COUNTRY WITH LOWER WAGES.CULBERT

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Message Attributes

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Disposition History: n/a
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